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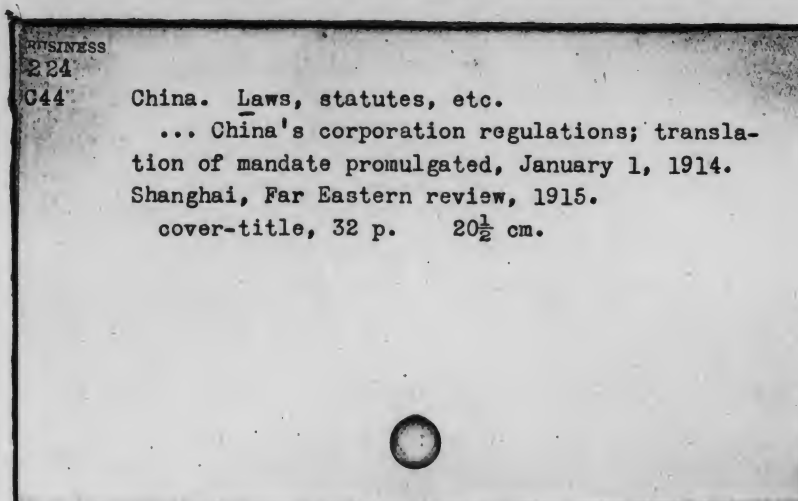
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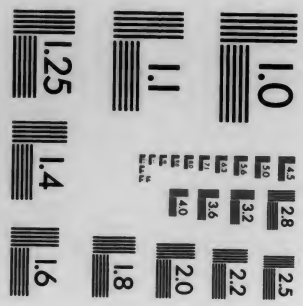
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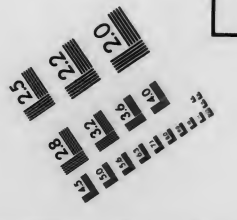
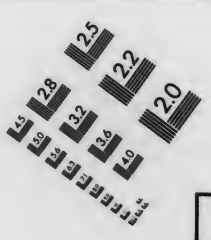
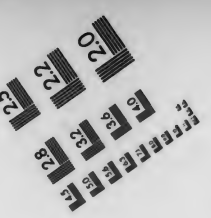
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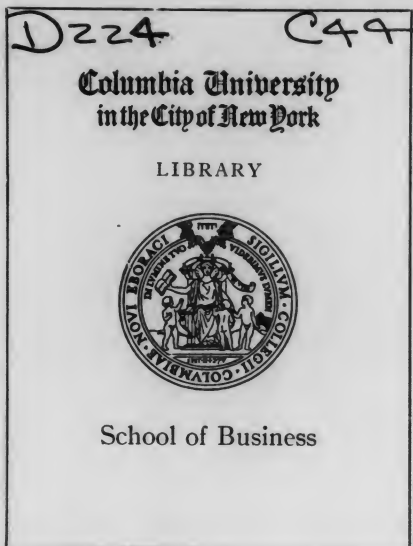
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CHINA'S CORPORATION REGULATIONS

TRANSLATION OF
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CHINA'S CORPORATION REGULATIONS

(TRANSLATION OF MANDATE PROMULGATED

JANUARY 1, 1914)

SECTION I

Article 1. The term "Corporation" referred to in these regulations includes only organizations formed for the purpose of carrying on industrial and mercantile enterprises.

Article 2. Corporations are sub-divided into 4 classes:

- (a) Unlimited Corporation (simple partnership)
- (b) Partnership Corporation (mixed corporation)
- (c) Joint stock limited corporation (corresponding to the ordinary foreign corporation.)
- (d) Joint stock partnership corporation.

Article 3. All corporations are recognized as distinct individuals in the eye of the law.

Article 4. The residence of the corporation is the place where the corporation has its head office.

Article 5. A corporation shall not be allowed to begin preparations for its undertaking until properly registered at the Yamen of the local authority.

Article 6. A corporation shall not be allowed to bring suit against a third party until properly registered by the local authority.

Article 7. If a corporation fails to commence business within 6 months after registration, the local officials have the right to cancel its registration at the request of the attorney. The time limit mentioned above can be extended at the request of the Corporation giving satisfactory reasons.

Article 8. If a corporation acts illegally, or disturbs the peace in any way, the local official has the right (or at the request of the attorney) to dissolve the organization.

SECTION II (*Unlimited Corporation*)

1.—*Organization*

Article 9. When two or more persons organize into an unlimited corporation, each member concerned should countersign the laws and regulations governing such organizations.

Article 10. The laws of an unlimited corporation should explicitly state the following points:

- (a) Trade mark and name.
- (b) The nature of the business undertaken.
- (c) Full names and addresses of stockholders.
- (d) Location of head and branch offices.
- (e) Kind and amount (if property, the estimated value) of capital paid by each stockholder.

Article 11. The corporation shall be required to register at the office of the officials at the places where its head and branch offices are located within 15 days after the laws and regulations of the corporation are signed. The registration shall consist of the following items:

- (a) Repeat (a) (b) (c) under Article 10.
- (b) Head Office and branch offices.
- (c) Date of establishment.
- (d) If the existence is limited, state when to dissolve and why.
- (e) The name of one or more representatives of the stockholders.
- (f) Kind of capital and value of property rendered in lieu of capital.

Article 12. If a corporation establishes new branch offices, it should register within 15 days of its establishment at the office of the local officers and notify all the local officers at the places where the head office and the other branch offices are. If the new branch office is established at the same locality, it is only necessary to register at the office of the local official.

Article 13. Upon the removal of the head office or branch office from one place to the other, the corporation shall be required to register at the new place in accordance with Article 11 and also register the fact of its removal at the place of its original registration. If the removal is within one legal district, the corporation is only required to register the fact of its removal.

Article 14. If any changes are to be made to the original registration, notification should be sent to the local authorities within 15 days of the alteration.

2. *Internal Organization*

Article 15. Aside from the following restrictions, the corporation has the right to formulate bye-laws regulating its internal affairs.

Article 16. If the capital paid in by a stockholder consists of outstanding loans and accounts and if the latter cannot be collected when due, the said stockholder shall be held responsible for the amount.

In the case mentioned above, the stockholder shall also be liable for any accrued interest or compensations for other damages occasioned by his non-fulfilment of payment.

Article 17. The profits and losses of a corporation shall be borne by the stockholders proportionate to the amount of capital paid in by each, unless otherwise specified in the regulations.

If any definite proportion is pre-fixed, such proportion is applicable in both profits and losses.

Article 18. All stockholders of an unlimited corporation have the right and duty to do business in the corporation, unless certain individuals are specified in the bye-laws to take complete charge of the business.

Article 19. When the corporation is in charge of all or several of its stockholders, all business is to be transacted by a simple majority.

Under ordinary conditions, each stockholder has the right to act as he deems best in his business dealing; but as soon as any one stockholder objects, he should stop and a vote be taken of all the stockholders for a decision.

Article 20. The appointment and discharge of a manager should be determined by a majority of stockholders, even though certain stockholders are delegated with the task of looking after the business.

Article 21. Any alteration of the corporation bye-laws and undertaking of any extraordinary enterprise should have the approval of all the stockholders.

Article 22. Those stockholders who are not in charge of the business shall also have the right to enquire into the business conditions, look over the accounts, and inspect the goods or documents, etc.

Article 23. The stockholders in charge of business shall have no compensation unless specified.

Article 24. A stockholder who has advanced funds for the urgent need of the business has the right to ask for a refund of the amount, plus interest; if a loan, he can demand suitable securities.

A stockholder who has suffered damages on account of the business and not due to his own fault, has the right to demand compensation.

Article 25. When a certain stockholder or several stockholders are designated to take charge of the business, these stockholders cannot resign without satisfactory reason, nor can they be discharged without reason.

Even if satisfactory reasons are given, the resignation or discharge becomes effective only after meeting the approval of all the stockholders.

Article 26. The stockholders in charge of the business should conduct all transactions in accordance with the corporation regulations and with the business policies determined upon at the stockholders' meetings. If anything is done in conflict with these principles, resulting in a loss to the corporation, the stockholders in charge are liable for the damages.

Article 27. Any stockholder who may receive funds for the corporation and fails to turn them into the corporation treasury at the proper date, or any stockholder who has borrowed money from the corporation without the approval of the other stockholders, is liable for the interest and for damages if the corporation suffers any as a consequence. The stockholder in charge of business shall render a report of the business at the request of the corporation.

Article 28. No stockholder shall be allowed to conduct business of a similar nature for himself or for other parties, nor to participate in similar corporations as an unlimited stockholder without the consent of all the other stockholders.

In case of any stockholder violating the above regulation, the corporation, with the approval of the majority of all the stockholders, has the right to take possession of his business as its own.

The above mentioned privilege of the corporation shall be void, if any of the other stockholders fail to act within 15 days after being informed or within one year after the thing is done.

Article 29. No stockholder shall be allowed to dispose of part or whole of his stock to a third party without the approval of all the other stockholders.

3. External Relations

Article 30. The corporation shall have the right to designate any one of its stockholders as a special representative in accord-

ance with its laws or with the approval of the stockholders. If not designated, any stockholder shall have the privilege of representing the corporation.

Article 31. The stockholder designated to represent the corporation shall represent the corporation on all occasions, whether in the case of a lawsuit or a business transaction.

Article 32. Any restriction upon the power of attorney, provided by corporation regulations or enforced with the approval of other stockholders is not valid to a third party not informed of such restrictions.

Article 33. Any damage done to others by the attorney or manager in conducting the business of the corporation, shall be borne by the corporation unless such damage is directly due to the fault of the individuals.

Article 34. When a stockholder is conducting business or other legal transaction on behalf of himself or of a third party with the corporation, he is not allowed to be the representative of the corporation at the same time except when such transaction consists of the return of a loan to the corporation.

Article 35. In case the total resources of the corporation are insufficient to cover the losses, the stockholders shall be held responsible for the excess liability.

Article 36. Any stockholder joining the corporation shall be held equally responsible for all the debts of the corporation contracted before his entering into the business.

Article 37. Any non-stockholder who acts ostensibly as a stockholder of the corporation shall be held equally responsible as a regular stockholder in relation to a third party not so.

Article 38. Any reduction of capital does not affect the liability of the stockholders in relation to the creditors of the corporation. (This rule does not apply when the creditors fail to complain after the fact of such reduction has been registered at the offices of local officials.)

Article 39. In case of a corporation suffering losses, any subsequent profit should be reserved to make up such losses before any portion of it can be distributed to the stockholders.

In case of violation of the above rule, any creditor of the corporation has the right to complain and make the stockholders reimburse the corporation.

Article 40. The debtors of the corporation shall not be allowed to cancel the debt they owe to the corporation on account of being the creditor to any of its stockholders.

Article 41. Any stockholder may not request the withdrawal of his share of the corporation's capital stock, until the corporation is dissolved or he is permitted to withdraw.

4. *The Withdrawal of Stock.*

Article 42. In the absence of any definite specification regarding the duration of the corporation, any stockholder can tender his resignation at the end of a fiscal year, but a six months' notice to the other stockholders is necessary. Under extraordinary circumstances, a stockholder may withdraw even when the time existence of the corporation is pre-determined.

Article 43. Apart from the above, a stockholder may withdraw for any one of the following reasons:

- (a) In accordance with some previous agreement as provided in the corporation by-laws.
- (b) When approved by all the other stockholders.
- (c) Death.
- (d) Bankruptcy.
- (e) Insanity.
- (f) Compulsory discharge.

Article 44. The compulsory discharge of a stockholder is allowed under any of the following circumstances. It is only to be carried out with the approval of all the other stockholders and after the stockholder concerned has been duly notified.

- (a) Non-payment of capital shares.
- (b) Violating Article 28.
- (c) Improper conduct in any business transactions or while representing the corporation.
- (d) Unreasonably interfering with the management when one is not in charge, or use of corporation marks and seals without discretion.
- (e) Failure to fulfil important responsibility.

Article 45. When the trade name of the corporation consists of the names of the stockholders, the name shall be altered at the withdrawal of any one stockholder.

Article 46. In the separation of stock, the corporation property is to be estimated at the market value and the withdrawing stockholder may be paid in currency irrespective of the nature and kind of capital he rendered at the start.

Any unsettled affair at the time of withdrawal may be left until a more convenient time when a precise calculation is possible. The claim of the stockholder who withdraws upon the corporation may be settled in any way the corporation may deem best.

Article 47. Stockholders who have become such for merit of service or good will, may be dealt with according to the above rule, unless the corporation by-laws provide otherwise.

Article 48. A stockholder should register at the office of the local official before his withdrawal. His responsibility for the unlimited liability of the corporation continues to exist until two years after the registration of his withdrawal. The above rule also applies to a stockholder who has transmitted his stock to another with the consent of all the other stockholders.

5. *Dissolution of Corporation.*

Article 49. A Corporation shall be dissolved under any one of the following conditions:

- (a) At the conclusion of a pre-determined term of existence or when any prescribed circumstance takes place.
- (b) When the business attempted is done or when the business is no longer possible.
- (c) When all the stockholders agree to dissolve.
- (d) When only a single stockholder remains.
- (e) When combined with other corporations.
- (f) When bankrupted.
- (g) At the order of the local official.

Article 50. A corporation dissolved for the reason mentioned under (a) of the above article, may be re-organized and continue business with the consent of two or more stockholders. Those stockholders not willing to join may withdraw.

Article 51. With the exception of bankruptcy and combination, (e) and (f), a dissolved corporation shall be required to register at the office of the local official within 15 days of dissolution.

Article 52. A corporation may combine with any other corporation with the consent of all its stockholders.

Article 53. Within 15 days after the decision to combine is passed, the corporation shall have ready a complete inventory of all its belongings and a balance sheet of all liability and resources.

The corporation shall notify all its creditors and publish its decision to combine and the manner of subsequent arrangements within 15 days after such decision is passed. It shall also set a time limit for parties wishing to complain; the time limit shall not be under three months.

Article 54. A corporation shall not combine until the above-mentioned time limit is elapsed, and any complaining creditor is satisfied with proper refund or security.

Article 55. A corporation which combines without proper notification or in spite of the complaining creditors shall be deprived of its privilege to bring suit against its creditors.

Article 56. A corporation shall register at the office of the local official within 15 days after the combination takes effect, as follows:

- (a) The corporation which does not lose its identity after combination takes place shall register according to the rules governing alteration.
- (b) The corporation which loses its identity after combination shall register according to the rules governing dissolution.
- (c) The corporation which is to be re-organized after dissolution shall register according to the rules governing organization.

Article 57. The duties and rights of the corporation which loses its identity in combination shall pass over to the other corporation which continues to exist or which is to be reorganized.

Article 58. Whenever necessary, the local official may dissolve the corporation at the stockholders' request.

If any stockholder is willing to be held responsible for the above-mentioned circumstance, the local official may refrain from dissolving the corporation at the request of the stockholders but discharge the stockholder whose interest is in conflict with that of the corporation.

The discharged stockholder so declared shall receive a pro-rata share from the corporation based upon the estimated market value.

6. Liquidation.

Article 59. The corporation shall not be considered dissolved within the period of liquidation.

Article 60. Unless one of the stockholders or a third person is specially designated by a majority vote of the stockholders, the final processes of a dissolved corporation shall be left in the hands of all the stockholders.

Article 61. In case the manner of disposal of the property of a dissolved corporation has been decided upon, an inventory and a balance sheet should be prepared within 15 days after dissolution.

The relation between the dissolved corporation and its creditors is stipulated under Article 53 (b), Article 54 and Article 55.

Article 62. At the death of any stockholder, the duty and right of receivership shall pass to his legitimate heir. In case there are several heirs, only one is entitled to take part in the work.

Article 63. With regard to a corporation dissolved under Article 49 (d) and (g), the local official may appoint the receiver at the request of the attorney.

Article 64. The receiver appointed by the stockholders may be removed at any time by a majority vote of the stockholders. Whenever necessary, the local official has the right to remove the receiver at the request of the attorney or of any person closely related to the corporation.

Article 65. The appointed receiver shall be required to register his name and address at the office of the local official within 15 days after his appointment.

The change or dismissal of the receiver shall be similarly registered within the same time limit.

The appointment or dismissal of a receiver by the local official shall be duly announced before such appointment or dismissal takes effect.

Article 66. The duty of the receiver shall be as follows:

- (a) To transact the routine business.
- (b) To collect all bills and accounts received, and to pay all debts and liabilities.
- (c) To proportionately divide the corporation property as shown on the balance sheet.

The receiver shall have the right to transact all business incidental to the carrying on of the above-mentioned duties, whether in a lawsuit or anything else.

Article 67. In case there are several receivers, all business transactions are to be settled by a majority vote; but in its relation to a third party, each receiver shall have specific duties and rights.

Article 68. Any restriction set upon the power of attorney of the receiver is void in relation to a third party not duly informed of such restrictions.

Article 69. As soon as the receiver takes up his position he shall investigate into the existing status of the corporation's resources, and submit a complete inventory and balance sheet to the stockholders.

At the request of any stockholder, the receiver shall render a report based upon the facts of his findings.

Article 70. All receivers, including those appointed by the local official, shall carry on their duties in accordance with rules laid down by the stockholders and others intimately associated with the corporation.

Article 71. The receiver shall notify the creditors of the corporation at least three times within two months after taking up his position, and demand from them a statement of credits

within a time limit. The time limit so fixed should not be under three months.

Before the termination of the time limit so fixed, no return or transfer of money should be made to any one or more particular creditors.

The receiver shall notify without failure all the creditors alike.

Those creditors who render statements after the time limit expired, shall be allowed to ask for a consideration after all the other creditors are satisfied.

Article 72. In case the available resources of the corporation are insufficient to cover all the liabilities, the receiver shall make demands for additional funds of the stockholders. If the stockholders fail or are unable to make these additional payments, the receiver shall announce the bankruptcy of such stockholders with notification to the proper authorities.

The duty of the receiver is considered as at an end when he has handed over all the corporation properties to the deputy in charge of bankruptcy.

Article 73. The receiver shall not make allotments of the corporation's resources to its stockholders until all the debts have been paid.

Article 74. The balance left over after all the creditors are satisfied shall be allotted to the stockholders pro-rata to their respective amount of capital.

Article 75. The receiver shall render the final accounts to the stockholders as soon as all dealings of the corporation are settled. If no complaint is made within one month after this final rendering the arrangements shall be considered satisfactory to all the stockholders except when the receiver has misbehaved in any way.

Article 76. After all final accounting is done and all claims settled, the receiver shall report and register at the local official's office.

Article 77. All documents, accounts, etc., relating to the business of a dissolved corporation should be kept in a safe place for 10 years. The person to have charge of these shall be determined by a majority vote of the stockholders. In case of dispute, the local authority shall render a decision. All the documents and accounts for safe-keeping shall be available for inspection to any person connected with the corporation.

Article 78. If a corporation is ordered by the authorities to discontinue or if the registration is cancelled for any reason, the process of winding up shall be the same as in the case of dissolution, and the receiver shall be appointed by the

local authority at the request of the attorney or of any party in close connection with the corporation.

Article 79. The unlimited liability of the stockholders shall be terminated at the end of 5 years after the dissolution of the corporation is registered except when there are other special laws providing for a shorter time limit.

The creditor shall have the right to demand payment as long as there is any resource left undivided even after the expiration of 5 years.

SECTION III

Partnership Corporation

Article 80. The partnership corporation is organized by members of both limited and unlimited liability. The members of limited liability are only responsible for the amount of capital subscribed.

Article 81. Apart from the specified regulations enumerated below, the same rules governing Unlimited Corporations are applicable in the case of the members of unlimited liability in a partnership corporation.

Article 82. The bye-laws of the partnership corporation shall state the kind of liability each stockholder has, aside from all the other items designated in Article 10.

Article 83. The partnership corporation shall register at the office of the local official within 15 days after the formulation and adoption of its bye-laws. The registration shall include a statement of the number and kind of stockholders aside from the items enumerated under Article 11.

Article 84. The members of limited liability shall pay for its share of capital in currency or equivalents in other kind of properties.

Article 85. All the members of unlimited liability shall have power to transact business for the corporation, if not otherwise specified.

Article 86. When there are several members with unlimited liability, the transaction of business shall be carried on with a majority vote of them all.

Article 87. The appointment and dismissal of the manager shall be made after a majority vote of all the unlimited members is taken. This rule is applicable even when certain members are specially designated to have charge of the business.

Article 88. The members of limited liability shall have power to inspect the inventory and balance sheet or to investigate into the business of the corporation at the end of each fiscal year whenever occasion warrants, special power shall be

granted to members of limited liability, at their own request, to inspect the business conditions of the corporation.

Article 89. The members of limited liability shall not be allowed to transfer part or whole of their stock to a third party without the unanimous consent of the members of unlimited liability.

Article 90. A member of limited liability shall be free to undertake the same kind of business for himself or for a third party and shall also be free to join other corporations as an unlimited liability member.

Article 91. Apart from the special representative or attorney appointed by the stockholders or provided for in the bye-laws of the corporation, each member of unlimited liability has the power to represent the corporation in business transactions.

Article 92. The members of limited liability shall not carry on any business transactions or represent the corporation in any way.

Article 93. In case a member of limited liability behaves in such a way as to make others believe that he has unlimited liability, his liability towards a third person not knowing the fact, shall be the same as the unlimited members.

Article 94. The members of limited liability shall not necessarily withdraw from the corporation in case of insanity. In case of death, the stock goes to his heir.

Article 95. In case of unanimous withdrawal of all the members of limited liability or of all the members of unlimited liability, the corporation shall naturally be dissolved. In the former case, however, the members of unlimited liability may reorganize themselves into an unlimited corporation.

Article 96. When a partnership corporation is transformed into an unlimited corporation, proper registration of the dissolution of the former and establishment of the latter should be made at the offices of local authorities within 15 days of the transformation.

SECTION IV

JOINT STOCK LIMITED CORPORATION

1. Organization

Article 97. A joint stock limited corporation shall have at least 7 persons as incorporators or promoters.

Article 98. The incorporators shall formulate and sign bye-laws including the following points:

- (a) Trade name.
- (b) Nature of business undertaken.
- (c) Amount of total capitalisation and amount per share of stock.
- (d) Location of head office and branch offices.
- (e) Manner of publicity.
- (f) Requirements of eligibility as directors.
- (g) Name and address of promoters.

In case of indecision, (d) (e) and (f) may be left blank to be filled in at the stockholders' meeting.

Article 99. The following items shall not be effective unless duly inserted in the bye-laws:

- (a) Term of existence of the corporation and circumstances under which to dissolve.
- (b) Amount of excess of selling price of stock over the par value.
- (c) Special privileges to be granted to promoters.
- (d) In case payment of stock is made with some form of property (not currency), the name of such stockholder and the form and value of property rendered and the number of shares assigned to him should be explicitly stated.
- (e) Any initial expenses to be paid by the corporation and the amount of compensation to be granted to promoters.

Article 100. In case all the stocks are subscribed by the promoters, the corporation shall be considered in existence from that time on.

Article 101. When the stocks are all subscribed by the promoters, at least one-fourth of the subscribed amount should be paid in as soon as possible. The directors and auditors are then to be elected by a majority vote of all the promoters.

Article 102. As soon as the directors are elected, the corporation shall report to the local authority for a legal inspection, —whether the required payment of capital has been made and whether the requirements (c) (d) (e) under Article 99 have been adhered to.

Article 103. The local authority, after securing a report of the inspector, shall have the right to modify the amount of privilege and compensation for the promoters, if the latter is excessive and extortionate. If any property rendered by the stockholder in lieu of currency be found to be excessively estimated, corresponding reductions may be enforced, but the stockholder shall be allowed to pay currency if he thinks the official estimation too low.

Article 104. In case the promoters fail to subscribe all the capital, they must get additional subscribers. The capital must be fully subscribed before organization.

Article 105. The promoters shall prepare a stock ledger of the standard form, and application blanks to be filled in and signed by subscribers. The following points shall be explicitly stated:

1. Date of formulating the bye-laws.
2. All the items listed under Articles 98 and 99.
3. Amount of capital stock subscribed by the promoters.
4. Amount of first payment.

In case the price of subscription exceeds the par value of the stock, the subscriber shall state the amount to be paid.

Article 106. The subscribers of stock shall be held responsible for the amount subscribed.

Article 107. The subscription price shall not be less than the par value of the shares. The first payment shall not be less than one-fourth of the par value.

Article 108. As soon as the stocks are fully subscribed, the promoters shall call upon the subscribers for the first payment.

In case the subscription price exceeds the par value, the amount in excess shall be paid with the first payment.

Article 109. Upon failure of the subscriber to make the payment, the promoter shall notify the said subscriber, setting a time limit beyond which, if the payment is not made, his subscription is to be cancelled. The time limit so set must be over one month.

After such notification is properly served and the subscriber fails to pay, the subscription is cancelled and another subscriber is to be secured in his place. If any damage is incurred as a consequence of the subscriber's non-payment, the promoters may demand an indemnity.

Article 110. As soon as the first payments are all collected, the promoters shall call the meeting of organization.

Article 111. The proceedings of the meeting shall be conducted in accordance with (a) (b) (c) under Article 145, (a) and (c) under Article 147 and (a) and (b) under Article 150.

The meeting shall have the majority of the subscribers representing the majority of the total capital stock as a quorum. All business shall be transacted by a majority vote.

Article 112. The promoters shall report all the previous transactions during the meeting.

Article 113. Directors and auditors shall be elected during the first meeting.

Article 114. The directors and auditors shall make the following investigations and report to the meeting:

- (a) Whether the capital stock is fully subscribed.
- (b) Whether the first payments are duly paid.
- (c) Whether the requirements of (c) (d) and (e) under Article 99 are properly fulfilled.

In case the directors and auditors are elected by the promoters themselves, another inspector may be elected during the meeting to investigate.

Article 115. The special privileges and compensation to be granted to promoters as well as the initial expenses are subjected to revision by the first meeting if they are in any way excessively stated.

The properties rendered by subscribers in lieu of payment, shall be re-estimated. If in excess of the market values, proper reduction may be made by a decision during the meeting; but the subscriber shall always be allowed to make payments in currency in exchange for the property rendered.

Article 116. The promoters shall be held responsible for any portion of the capital stock left unsubscribed and for the non-payment of the first instalment on the part of the subscribers.

Article 117. In case after the two foregoing articles are enforced, there are still other damages to the corporation, the promoters are liable to indemnity.

Article 118. The first meeting of the stockholders may modify any regulation previously formulated or may stop the organization of the corporation if necessary.

Article 119. The corporation shall be considered in existence at the conclusion of the meeting of the stockholders, except when the capital stocks are fully subscribed by the promoters.

Article 120. If the first payments are not made one year after the stock is fully subscribed or if the promoters fail to call the first meeting of the stockholders within half a year after the first payments are called the subscribers shall have the right to cancel their subscription and demand refunds.

Article 121. Within 15 days after organization, the promoters shall register at the offices of local authorities as follows:

- (a) Repeat (a) (b) (c) and (e) under Article 98.
- (b) Head office and branch offices.
- (c) Date of organization.
- (d) Amount paid in by subscribers.
- (e) Name and address of directors and auditors.
- (f) In case of fixed duration, state the length of period to exist or the circumstances for dissolution.

(g) If interest is to be distributed before the commencement of business, state the rate.

Article 122. In case of the establishment of additional branch offices or the removal of any office from one place to the other or the alteration of any of the registered items, Articles 12, 13 and 14 are applicable.

Article 123. After the registration of the corporation, the subscribers shall not cancel their subscription with complaints of fraud or of having acted under compulsion.

2. Stocks

Article 124. The capital of a joint stock corporation shall be divided into shares. The par value of each share shall not be less than fifty dollars except those shares to be paid in one instalment when twenty dollar shares are allowed.

Article 125. The corporation may issue preferred stock in accordance with regulations.

Article 126. The liability of the stockholder ends with the full payment of the amount subscribed for.

All payments of stock shall be made in available funds and not in outstanding credits.

Article 127. In case a single share is jointly owned by several persons, one of them shall be assigned to exercise all the duty and right of the stockholder, but all of them are jointly liable for the total amount subscribed for.

Article 128. No shares of stock shall be issued until after the corporation is properly registered.

The share certificate shall be declared void if issued contrary to the foregoing rule, and the subscriber may demand damage.

Article 129. Each stock certificate shall have an assigned number and be signed by the director. The following points are to be stated on the certificate:

- (a) Trade name of the corporation.
- (b) Date of organization and registration.
- (c) Total capitalisation and par value of each share.
- (d) If preferred stock, state the amount and nature of preference.
- (e) If the payment of stock be made in instalments, state the amount to be paid each time.

Article 130. The shares of a corporation may be transferred to others at the stockholder's will without consulting the corporation unless otherwise stipulated in the corporation laws. Shares shall not be transferred or be contracted to be transferred from one person to another until the corporation is properly organized and registered.

Article 131. If the certificate is one of the registered kind, due change of name and address on the stock ledger and on the certificate is necessary before the transference becomes effective.

Article 132. A corporation shall not buy its own shares or accept such as security. The shares reverted to the corporation in any way shall be disposed of at an early date.

Article 133. The corporation shall under no circumstance cancel any of its shares except when the capitalisation is reduced.

Article 134. In demanding payment from shareholders, notification shall be sent to the parties concerned at least a month ahead of time.

Upon the failure of payment at the stated time, the corporation shall deliver another notification setting a time limit (over a month at least) beyond which if the payment is not made, the rights of the shareholder shall be withheld.

Article 135. The corporation shall demand interest for the period after due date until the payment is made. In case a special fine is fixed in the bye-laws, for non-payment when due, the corporation shall have the right to enforce it.

Article 136. If the shareholder fails to pay after the corporation has done everything in accordance with Article 134, the shareholder shall lose all the rights in connection with his shares.

Article 137. In case the delinquent shareholder has secured his share through transferring, the corporation shall look up the name of the original shareholder and demand payment from him within a month. When the original shareholders receive the above notification, the one who makes the most prompt payment shall secure the share. In case nobody responds after notification, the corporation shall dispose of the said shares at auction. If the amount thus secured is not sufficient to cover the payment due, the corporation may sue the delinquent stockholder for the balance.

Article 138. The liability of the original shareholder terminates two years after proper registration and recording in the stock ledger of the fact of transference.

Article 139. Until the full payment for the share is made, the corporation shall not issue certificate at the request of the shareholder.

In the case of a non-registered certificate, the shareholder may request to have it changed to a registered form at any time.

Article 140. The stock ledger shall contain a detailed account of each share with systematic denotations. The following record should be made:

- (a) The number of shares subscribed by each stockholder, and the number of certificate issued.
- (b) The name and address of the stockholder.
- (c) The amount paid in by each stockholder and the date of such payments.
- (d) The date of issue of each certificate.

In the case of a non-registered form, the quantity and numbers of certificates and dates of issue shall be recorded. In the case of preferred stock, the word preferred should be put under each number of certificate issued.

3. *Regular Meeting of Stockholders*

Article 141. The regular meeting of stockholders shall be held at least once a year at a fixed time after the conclusion of each fiscal year.

Article 142. Apart from the regular meetings at fixed intervals, special meetings may be held whenever necessary.

Article 143. The meetings of stockholders shall be called by the directors, except when specified by the laws of the corporation.

Article 144. Questions brought up during these meetings shall be decided by a majority vote of the stockholders present at the meeting, except when specific rules are inserted in the law of the corporation.

Article 145. For each share of stock, one vote is to be allowed; but when the number of shares held by one person exceeds eleven, special limitation regarding his voting power is to be allowed if specified in the bye-laws.

In case of proxy, the proxy's certificate shall be deposited with the corporation as a subsequent proof.

When a matter is brought up for a decision during the meeting concerning a particular stockholder, the said stockholder shall refrain from exercising his voting power nor shall he be allowed to act as another's proxy in the said case.

The holder of a non-registered certificate shall not be allowed to vote unless he should deposit his certificate with the corporation five days before the meeting takes place.

Article 146. Any stockholder representing one-tenth or more of the total capitalisation shall have power to request the directors to call special meetings, by presenting the matter to be discussed and giving reasons. In case the directors fail

to respond to such a request within 15 days, the said stockholder shall call the meeting himself with consent of the local authorities.

Article 147. The corporation shall notify its stockholders one month before the time set for the meeting.

The corporation shall announce and publish the date of its meeting 40 days ahead of time as a notification to holders of non-registered certificates. The notification and announcement shall include a statement of the purpose of the meeting and a description of the matters likely to be brought up for discussion.

Article 148. The minutes of the meeting recording all transactions shall be signed by the Chairman. The minutes shall include a list of stockholders present, the date and place of meeting, the name of the Chairman and the process of decision.

Article 149. The regular meetings shall be the occasion to discuss and pass on the reports of the directors and auditors, and to decide upon the disposal of profits and surplus.

In order to examine the above mentioned reports, a special inspector may be elected during the meeting.

Article 150. In case the meeting is called or any decision is made contrary to the law or regulations of the corporation, any stockholder may report the same to the local authority to declare such decisions void. The report of this nature shall be made within one month after the action takes place.

Article 151. Aside from the directors and auditors, any ordinary stockholder who sues to nullify a corporation decision must deposit his shares with the corporation or additional security may be demanded at the request of the corporation.

4. *Directors*

Article 152. The directors shall be elected by the stockholders from their own members.

Article 153. A director shall deposit his shares of stock with the auditor as soon as elected.

Article 154. The compensation for the directors shall be fixed at the stockholders' meeting if not previously fixed in the bye-laws.

Article 155. The term of directorship shall not be over three years, but any person shall be eligible for successive terms.

Article 156. The corporation shall have the right to dismiss any of its directors by a majority vote at the stockholders' meeting, provided there are good reasons. In the absence of any good reason, the dismissed director may demand an indemnity.

If a director resigns without good reason at a time when it would result detrimentally to the corporation, he shall be held responsible for the damages.

Article 157. The directors shall transact all business with a majority vote among themselves unless otherwise specified in the bye-laws. The appointment or dismissal of the manager shall be effected in a similar way.

Article 158. Each of the directors may individually represent the corporation. Articles 28, 31, 32 and 33 are also applicable in the case of directors.

Article 159. The directors shall deposit a copy of the bye-laws and minutes of the meetings at every head and branch office and keep the stock ledger and the counterfile of corporation loans at the head office.

The bye-laws and documents mentioned above shall be available for inspection to stockholders and creditors in accordance with the specifications under Article 22.

Article 160. The counterfile of the corporation's loan account, shall record the following:

- (a) Name and address of the corporation creditors.
- (b) The classified number of the loan agreements.
- (c) Total amount of liability and the amount due to each bondholder.
- (d) Rate of interest on the debts owed by the corporation.
- (e) The method and time of redeeming the bonds.
- (f) The date of issuing such bonds.
- (g) The date of redeeming such bonds.
- (h) If the bond is non-registered state the classified number and the date of issue.

Article 161. When the corporation loses as much as half of its total capital, the director shall call a special meeting of the stockholders and report on the prospect.

As soon as the total resources of the corporation become insufficient to cover all the liabilities, the directors shall report and announce the insolvency of the corporation.

Article 162. With the approval of the auditor, a director may transact business with the corporation on his own behalf or on behalf of a third party.

Article 163. The directors shall carefully observe the rules of the corporation and transact business with discretion. If a director shall act contrary to this principle or misuse the trust in any way, he shall be liable for damages to the corporation.

The directors shall be held responsible for any action contrary to the law and regulation of the corporation and shall be liable for damages done to a third party even if such action be in

accordance with the resolutions passed by the stockholders. Exceptions are to be made in case the said directors have, before the stockholders' meeting, objected to and have announced their disapproval to the auditor.

Article 164. If a resolution to impeach a director fail to pass in a stockholders' meeting any stockholder representing one-tenth or more of the capital shall have the privilege to make a similar request to the auditor; the latter upon receiving such a request shall promise to start on the process within one month.

The stockholder requesting an impeachment shall be required to deposit his shares with the corporation to be returned at the conclusion of the lawsuit. The said stockholder shall also submit additional securities at the request of the auditor. In case a decision is rendered against the corporation, the stockholder shall be liable for the damages.

Article 165. Whether the corporation is suing the directors or the directors suing the corporation, the corporation shall be represented by the auditor unless a special legal representative be elected at the stockholders' meeting.

A stockholder representing one-tenth or more of the total capital shall have the right to designate a special representative in suing any of the directors.

5. Auditor.

Article 166. The auditor shall be elected by and from among the stockholders

Article 167. The compensation of the auditor shall be fixed at the stockholders' meeting unless previously fixed in the bye-laws.

Article 168. The term of the auditor shall not exceed one year, but he shall be eligible for successive terms.

Article 169. Article 156 (a) is applicable in the case of the auditor.

Article 170. The auditor shall have power to demand a report of the corporation's business from the directors at any time and to inspect the accounts and documents of the corporation whenever he wishes.

Article 171. The auditor shall check up all reports on documents rendered by the directors and report his findings at the stockholders' meetings.

Article 172. Whenever he deems necessary, he shall have power to call special meetings of the stockholders. During such meeting, the stockholders may elect special inspectors.

Article 173. In case there are two or more auditors each may exercise his right independent of the others.

Article 174. The auditor shall not be allowed to be the director or manager at the same time. But in case of vacancy on the board of directors, before new election can be brought about, then one of the auditors may be called upon to fill the vacancy through mutual agreement of the directors and the auditors.

The auditor chosen to be acting-director, shall not exercise his rights of auditorship until his report and accounts as director are accepted at the stockholders' meeting. Article 27 is not applicable in the case of an auditor temporarily acting as a director.

Article 175. When any of the directors transacts business with the corporation on his own behalf or on behalf of a third party, the auditor shall be called upon to represent the corporation.

Article 176. If an auditor fails to fulfil his duty, he is liable for any damage to the corporation or to a third party.

Article 177. In case the stockholders resolve to impeach the auditor, or if such resolution fails to pass and any stockholder representing one-tenth or over of the total capital requests the director to impeach such auditor, the corporation shall start the process within one month after the request is lodged.

A special attorney for prosecution may be elected at the stockholders' meeting or designated by the stockholder making the request.

The stockholder requesting prosecution of the auditor shall deposit his shares or render additional securities at the request of the directors. In case the verdict is against the corporation, the said stockholder shall be responsible for all the damages.

6. *The Accounting of the Corporation.*

Article 178. The board of directors shall prepare reports as follows to be handed over to the auditors 15 days before the date of regular meeting.

- (a) Inventory of corporation properties.
- (b) Balance sheet of the corporation's resources and liability.
- (c) A statement of the business operation.
- (d) A profit and loss account.
- (e) Recommendations in regard to the sinking fund and dividends.

Article 179. The foregoing reports of the directors together with the report of the auditor shall be kept at the corporation head office during the regular meeting. They shall be available for inspection to all the stockholders and creditors of the corporation.

Article 180. The directors shall submit the reports for discussion, approval and acceptance by the stockholders at the meeting.

Article 181. After the directors' reports are duly accepted the directors shall announce and publish the balance sheet.

Article 182. The responsibility of the directors and auditors shall be considered at an end when all the reports are accepted, except when any fault be discovered later on.

Article 183. Before any dividend is declared, at least one twentieth of the net profit shall be laid aside as a reserve fund. The amount of selling price of stocks in excess of the par value shall also be reserved.

The total reserve shall be one-fourth of the capital.

Article 184. No dividends shall be distributed to the stockholders until all previous losses are made good and the required reserve fund laid aside.

Article 185. When dividends are distributed contrary to the above rule, the creditors of the corporation shall have the right to enforce a reimbursement of capital.

Article 186. In case the necessary preparation for an enterprise takes more than two years to complete, interest may be paid upon the stocks before commencement of business provided the local authority approves and laws of the corporation allow.

The interest so paid shall not exceed 6 per cent. per annum.

Article 187. The allotment of profit shall be based upon the amount of capital paid in by each stockholder, except when these are preferred stocks.

Article 188. Any stockholder representing one-tenth or over of the total capital shall have the right to request the local authority for the appointment of an official inspector to investigate into the business of the corporation.

Article 189. In case the local official deems necessary after receiving the inspector's report, he shall notify the corporation auditor to call a special meeting of the stockholders.

7. *Corporation Bonds*

Article 190. The corporation shall not be allowed to issue bonds until such resolution is properly passed by the stockholders in accordance with Article 199 (b).

Article 191. The total amount of bond issue shall not exceed the total amount of paid-in capital at any time.

If according to the latest balance sheet, the total resources of the corporation are less than the paid-in capital, the bond issue shall not exceed the value of the available resources

Article 192. The par value of each bond shall not be less than twenty dollars.

Article 193. In case the pre-fixed rate for redeeming these bonds exceeds the par value, all the bond holders shall be treated alike.

Article 194. When the bonds are issued, the directors shall announce and publish the following:

- (a) The items under Article 160 (c) (d) and (e).
- (b) Trade name of corporation.
- (c) In case there is a previous bond issue, state the balance left to be paid.
- (d) The fixed price for the bonds or the lowest rate at which the bonds may be sold.
- (e) Total capitalisation and amount of paid-in capital.
- (f) The value of present resources according to the latest balance sheet.

Article 195. When the bonds are fully subscribed, the directors shall demand payment for the amount subscribed.

When the bonds are all disposed of and money collected, notification in accordance with Article 160 (c) (d) and (e) shall be given to the local authorities at the places where the head and branch offices are located within 15 days.

Article 196. Each bond certificate shall have a classified number and be signed by the directors together with remarks in accordance with Article 194 (a) and (b).

Article 197. When a bond certificate is of a registered form proper registration of change must be made on the counterfile as well as on the certificate before it can be transferred to a third person.

Article 198. Article 139 is applicable in the case of bonds.

8. *Alteration of Bye-laws*

Article 199. The bye-laws of a corporation shall not be altered or modified in any way except by resolutions passed at the meeting of stockholders.

The above-mentioned resolution shall be passed by a majority vote of a majority of stockholders representing over half of the total capital stock.

In case the stockholders present at the meeting do not constitute a quorum, a majority vote may be taken of those who are present and a tentative resolution drawn to be submitted to all the stockholders, or if non-registered stocks are issued, to announce and publish the resolution with a notice for a special meeting to be called within one month. The said resolution shall be definitely passed or rejected during the second meeting.

The above stipulation shall not be applicable in case the desired alteration has to do with the nature of business.

Article 200. A corporation shall not increase its capital until the existing capitalisation has been fully paid.

Article 201. In increasing the capital of a corporation, preferred stock may be issued, in which case, the advantage and rights of preferred stockholders must be specified in the bye-laws.

Article 202. In case the resolutions of the common stockholders are in conflict with the prescribed advantages and rights of the preferred stockholders, the same resolution shall be brought up and considered in a preferred stockholders' meeting, and the same rules governing stockholders' meeting shall be in force.

Article 203. In issuing new stocks, the original stockholders shall be given the preference. Only the remaining shares left unsubscribed can be disposed of among the outsiders.

Article 204. In increasing the capital of a corporation as soon as the first payments have been made, the directors shall call a meeting of the stockholders to report on the issue of new stock.

Article 205. The auditor shall investigate the following and report to the meeting:

- (a) Whether the new issue has been fully subscribed.
- (b) Whether the first payment has been made in full.
- (c) In case of a subscriber rendering personal property in lieu of payment on shares, whether the valuation of such property is proper.

The stockholders may also elect a special agent to inspect and report on the above mentioned subjects.

Article 206. In case the said property is found to be over-estimated, Article 115 (b) shall be enforced.

Article 207. The directors shall be held responsible for any stock left unsubscribed or that which is subscribed and not paid for or that which has been subscribed and subsequently cancelled.

Article 208. At the conclusion of the stockholders' meeting specified in Article 204, the corporation shall register at the local authorities as follows:

- (a) Amount of increase in capitalization.
- (b) Date of the passing of resolution to authorize such an increase.
- (c) The amount of paid-in capital of the new issue.
- (d) In case of preferred stock, the special advantage and rights of preferred stockholders. Before registering at the office of local authorities, no stock certificate shall be issued and no new shares may be transferred or contracted to be transferred.

Article 209. The stock certificate to be issued to the new stockholders shall be signed by the directors and record the following:

- (a) Trade name of the corporation.
- (b) Date of registration when the capitalization is increased.
- (c) The total amount of the new stocks and par value per share.
- (d) The classified number of the new stock and the rights and advantages of the preferred stockholders.

Article 210. Articles 106-109, Articles 120-123 and Article 128 (b) are applicable in the case of the new stock issue.

Article 211. In case of a reduction in the capitalization, the manner of reduction shall be determined at the stockholders' meeting.

Article 212. Articles 53-55 are applicable in the case of a reduction of capitalization.

9. Dissolution

Article 213. A joint stock limited corporation shall be dissolved for any of the following reasons:

- (a) At the expiration of a previously fixed period, or when certain pre-determined circumstance takes place.
- (b) At the completion of the business undertaken, or when the business becomes no longer possible.
- (c) By resolution passed by the stockholders' meeting.
- (d) When the registered stockholders are less than seven in number.
- (e) When combined with other corporations.
- (f) Bankruptcy.
- (g) At the order of the official.

Article 214. With the exception of bankruptcy, the directors shall notify the stockholders when a corporation is dissolved. In case of non-registered certificates, a public announcement is necessary.

Article 215. With the exception of bankruptcy and combination, the corporation shall register at the office of local authorities within 15 days after dissolution takes place.

Article 216. The resolution causing dissolution or combination with another corporation shall be passed at the stockholders' meeting in accordance with Article 199(b).

Article 217. In case of a dissolved corporation combining with another, Articles 53-57 are applicable.

10. Winding up

Article 218. With the exception of bankruptcy and combination, the winding up of a dissolved corporation shall be put in the hands of the directors, unless special agents are elected at a stockholders' meeting.

If no suitable person is to be secured, the local official shall appoint a receiver at the request of any one closely connected with the corporation.

Article 219. With the exception of the receiver appointed by the local authority, the stockholders may dismiss any other at any time.

The receiver appointed by the local official may be removed at the request of the auditor or of any stockholder representing over one-tenth of the capital, giving good reasons.

Article 220. Immediately after taking up his position, the receiver shall investigate into all the corporation resources and prepare an inventory and balance sheet to be submitted at the stockholders' meeting.

The stockholders may appoint a special agent to check the report of the receiver; when the report is accepted by the stockholders, the receiver shall announce and publish the balance sheet.

Article 221. If the calling of the stockholders' meeting and the manner of passing resolutions are in any way in conflict with the laws or regulations of the corporation, the receiver may request the local authority to nullify the resolutions so passed.

Article 222. In connection with the process of winding up, the duties and rights of the receiver shall be the same as those of directors, apart from the special stipulations given here.

Article 223. In case any of the creditors fails to make the required statement within the specified time after due notification, he shall only be considered after all the other creditors are satisfied.

Article 224. The expenses of winding up shall be paid out of the corporation's resources.

Article 225. In case of any remaining resources after all creditors are satisfied, the amount shall be apportioned among the stockholders pro rata to their respective number of shares, except when there is special stipulation in regard to preferred stocks.

Article 226. At the conclusion of the winding up, the receiver shall submit a report to the stockholders' meeting for approval. The stockholders may elect a special agent to audit the receiver's account and to check up his report. When the

report is accepted the receiver is considered relieved from all responsibilities of the corporation except when any fault is discovered later on.

Article 227. All accounts and documents of a dissolved corporation shall be kept for 10 years after the final registration. The custodian of such documents shall be appointed by the local authority at the recommendation of the receiver or those in close connection with the corporation.

Article 228. Even after the process of liquidation is concluded, the local authority may appoint a new receiver to re-open the process, if there are other resources of the corporation available for allotment.

Article 229. Articles 59, 65, 66, 71, 72(b), 76, 78, 146, 147, 150, 151, 163(b), 165, 170 and 171 are applicable in winding up a limited corporation.

SECTION V

Joint Stock Partnership Corporation

Article 230. Among the stockholders of a joint stock partnership corporation, at least one person shall have unlimited liability. The rest are liable for the amount they subscribed.

Article 231. The laws governing a partnership corporation shall be applicable to a joint stock partnership corporation in regard to the following:

- (a) The relation between the unlimited member and the corporation.
- (b) The relation between the unlimited member and the third party.
- (c) The withdrawal of the unlimited member.

As to the rest, the laws governing the joint stock limited corporation are applicable except otherwise specified under this chapter.

Article 232. In organizing this kind of corporation the promoter with unlimited liability shall formulate and sign the bye-laws specifying the following points:

- (a) Article 98 (a) (b) (d) and (e).
- (b) Amount of total capitalisation and par value per share.
- (c) Name and address of unlimited members.
- (d) The amount subscribed; if payment is made in other form than currency, value and description of the property rendered.

Article 233. The unlimited member shall dispose of the shares.

Article 234. The subscription blank shall state the following:

- (a) In accordance with Article 99, Article 105 (a) and (d), and Article 232.
- (b) The amount subscribed by each unlimited member.

Article 235. During the meeting of organization, an auditor shall be elected from among the stockholders. The unlimited member shall under no circumstances serve as an auditor.

Article 236. The unlimited member may make suggestions and recommendations at the meetings, but shall under no circumstances exercise the power of voting.

Article 237. The auditor shall find out whether the shares have been fully subscribed and the kind and amount of payment made by subscribers other than in currency, and report the findings to the stockholders' meeting.

Article 238. At the conclusion of the first stockholders' meeting, the corporation is considered organized and due registration at the office of local authorities shall be made within 15 days as follows:

- (a) In accordance with Article 98 (a) (b) (c) (e) and Article 121 (b) (c) (d) (f) (g).
- (b) Name and address of the unlimited liability members.
- (c) The amount subscribed by the unlimited members, and the kind and amount of payment other than in currency.
- (d) The name and address of unlimited liability member who is specially designated to represent the corporation.
- (e) Name and address of the auditor.

Article 239. In regard to the unlimited liability member designated to represent the corporation, the laws governing the directors of a limited corporation are applicable with the exception of Articles 152, 153, 154, 155 and 156.

Article 240. With regard to transactions requiring the unanimous approval of the stockholders, the same resolution shall be passed by the stockholders' meeting as well as by the unlimited liability members. In adopting the above mentioned resolution, Article 199(b) is applicable.

Article 241. The laws governing the dissolution of a partnership corporation are applicable here.

Article 242. When all the unlimited liability members withdraw from the corporation, the rest of the stockholders may reorganize into a limited corporation in accordance with Article 199(b).

In case of the above-mentioned circumstances, the stockholders shall at once take the necessary steps for the organization of the limited corporation at the stockholders' meeting. At this meeting, the limited member who has subscribed common stocks shall have power as ordinarily regulated.

Article 243. The winding up of a dissolved corporation of this kind except those dissolved on account of bankruptcy, or at the order of the local authority, shall be jointly undertaken by all the unlimited liability members (or a representative receiver elected by them) and the duly elected receiver of the common stockholders, unless otherwise stipulated in the bye-laws.

The unlimited liability members shall elect their receiver by a majority vote. The number of receivers elected by the unlimited liability members shall be the same as those elected by the common stockholders.

Article 244. In regard to unlimited liability members, Article 79 is applicable.

Article 245. After the report and accounts of the receiver have been duly approved and accepted by the common stockholders in accordance with Article 220 (a) and Article 226, the receivers shall also try to secure the unanimous approval of unlimited liability members.

Article 246. The unlimited liability members may at any time dismiss the receiver elected by them with a majority vote among themselves.

Article 247. After the corporation is re-organized according to Article 53 (b) and Article 54, and after the consent of its creditors has been secured, proper registration of the dissolution of the joint stock partnership corporation and organisation of the joint stock limited corporation shall be made at the office of the local authorities within 15 days.

SECTION VI.

Fines.

Article 248. The stockholder having charge of the business, the promoter, director, or auditor or receiver who is found guilty of the following shall be fined not less than five dollars nor exceeding five hundred dollars:

- (a) Failure to report and register at the office of the local authorities as required by law.
- (b) Failure to make the notification and public announcement within the time limit as required by law or when such notifications and announcements are falsely made.

- (c) Failure to submit documents for inspection without a good reason, when such inspection is allowed by law.
- (d) Hinder or in any way handicap the process of inspection provided by the law.
- (e) Start preparations for the commencement of business without fulfilling the requirements of Article 5.
- (f) The failure to make proper subscription blanks as provided for in Article 105 (a) and Article 234.
- (g) When Article 128 (a) and Article 208 (b) are not strictly adhered to in issuing stocks.
- (h) Failure to make proper records on the corporation bond certificates as prescribed in Articles 129, 196 and 209.
- (i) Failure to close the accounts at the fixed intervals or at the winding up of the corporation.
- (j) Failure to deposit the following documents at the head and branch offices as required by law, viz;—the bye-laws of the corporation, the minutes of the stockholders' meeting, the stock-ledger, the corporation loan accounts, the inventory, the balance sheet, the business report, the profit and loss account, and the resolution relating to the distribution of dividends and laying up of a reserve. The improper recording of such documents shall be similarly fined.
- (k) Failure to call the stockholders' meeting as provided for in Article 16 (a) and article 189.

Article 249. A fine not less than ten dollars and not exceeding one thousand dollars shall be imposed for the following violations on the part of the promoter, director, auditor, receiver or any stockholder having charge of the business:

- (a) Unfaithful statements made to the local authority or before the stockholders' meeting.
- (b) Any reorganisation, reduction of capital, combination or disposal of the corporation in any way inconsistent with the stipulations under Articles 53, 54 and 55.
- (c) Hinder or handicap the inspector carrying out his duty.
- (d) The purchase or acceptance as security of shares of the corporation violating Article 132 or the cancellation of shares violating Article 133.
- (e) Issuing non-registered share certificates violating Article 139.

- (f) Failure to announce bankruptcy in accordance with Article 72 (b) and Article 161 (b).
- (g) Failure to lay aside a reserve as provided for in Article 183; failure to declare dividend in accordance with Article 184; failure to conform to Article 186 in paying dividend before the commencement of business.
- (h) Failure to conform to Article 191 in issuing corporation bonds.
- (i) Failure to conform to Article 71 in making refund to corporation's creditors.
- (j) Failure to conform to Article 73 in allotting the corporation property.

Article 250. The common laws governing business operations and business men shall be separately enacted.

Article 251. The time to carry out the above listed laws shall be fixed by extra detailed regulations.

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China's Corp.

Regulations, Jan. 1, 1914

This book must be returned to the desk at which it was borrowed before 10 o'clock A. M. the next day, unless special arrangement is made. If this book is not returned by that hour, a fine of 25 cents a day will be incurred.

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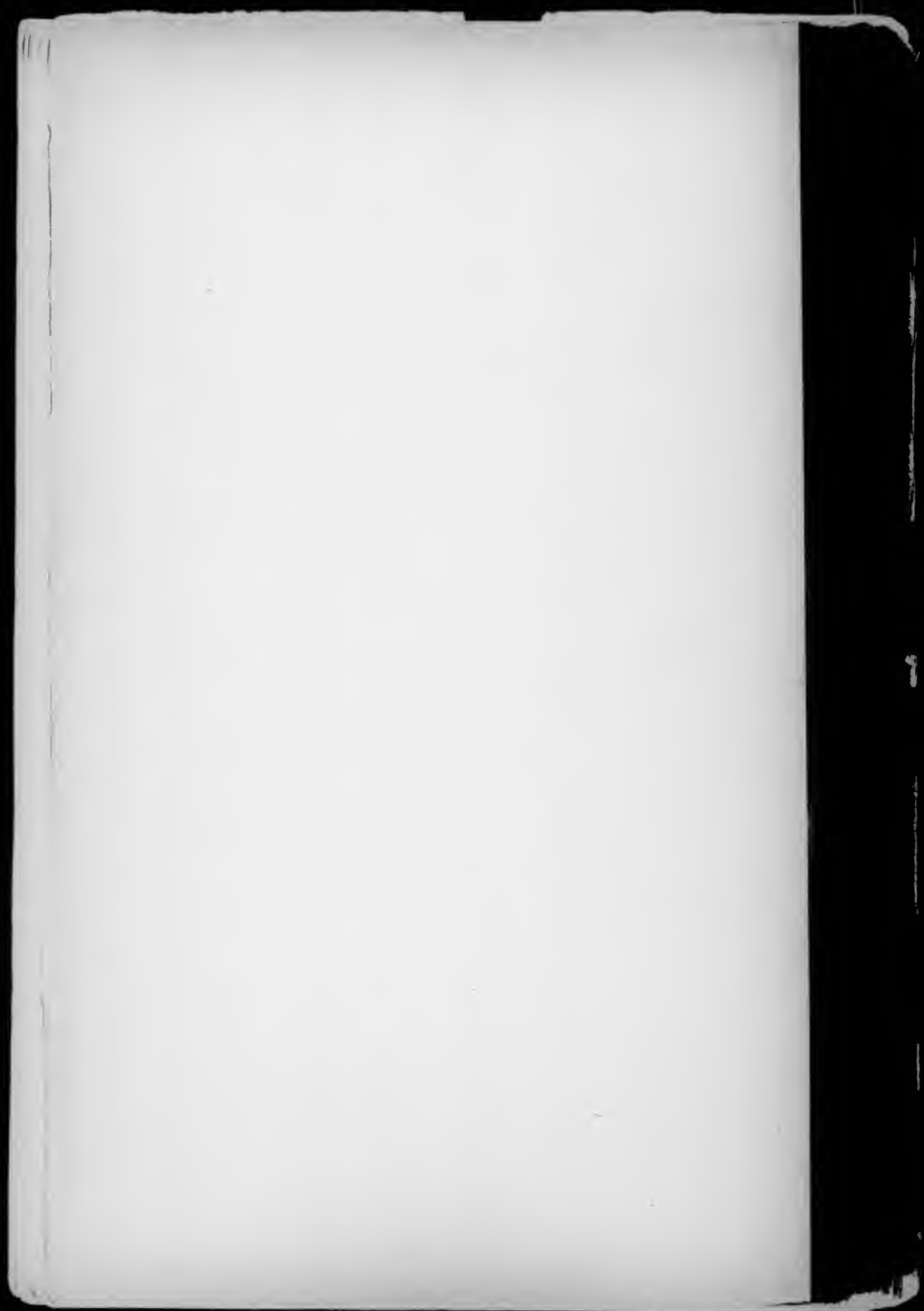
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